

Message Text

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ACTION ARA-10

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TAGS: ENRG CO

SUBJ: WORSENING PETROLEUM SITUATION IN COLOMBIA

REF: BOGOTA 9660

1. GOC OFFICIALS AND PRIVATE SECTOR SPOKESMEN HAVE RECENTLY ISSUED A DELUGE OF EXPLANATIONS CONCERNING THE PETROLEUM SITUATION IN COLOMBIA WHICH, UNFORTUNATELY, APPEAR TO HAVE ONLY RESULTED IN THOROUGH CONFUSION AMONG THE PUBLIC. PRESIDENT LOPEZ AND MINISTER OF MINES DEL HIERRO HAVE MAINTAINED ON SEVERAL OCCASIONS THAT COLOMBIA DOES NOT FACE A PETROLEUM SHORTAGE IN THE NEAR FUTURE AND HEAVY IMPORTATION IS NOT LIKELY. THE HEAD OF ECO-PETROL, THE LEADER OF THE SENATE AND HEAD OF LIBERAL PARTY, AND THE PRIVATE PRODUCERS' ORGANIZATION HAVE STRESSED JUST THE OPPOSITE. ALTHOUGH IT IS CLEAR THAT IMPORTATIONS WILL BE NECESSARY (AND HAVE IN FACT ALREADY BEGUN) OFFICIAL GOC TACTIC APPEARS TO BE TO PLAY DOWN SERIOUSNESS OF PETROLEUM SHORTAGE IN EFFORT TO AVOID POSSIBLE ADVERSE PSYCHOLOGICAL IMPACT ON ECONOMY. UNFORTUNATELY, COORDINATION OF THIS POLICY HAS BEEN LACKING.

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2. AFTER WARNINGS BY LIBERAL PARTY LEADER TURBAY AYALA AND BY

ECOPETROL PRESIDENT VILLERREAL THAT COLOMBIA FACES IMMINENT NEED TO IMPORT SIZEABLE AMOUNT OF BOTH CRUDE AND GASOLINE, PRESIDENT LOPEZ AND MINMINES DEL HIERRO ATTEMPTED TO ASSURE PUBLIC THAT SUCH WAS NOT THE CASE. THE PRESS THEN PICKED UP A STORY THAT ECOPETROL HAS ALREADY IMPORTED 600,000 BARRELS OF GASOLINE DURING NOVEMBER. THE MIN INSISTED THAT THIS IS ONLY A NORMAL IMPORT DURING REFINERY MAINTENANCE. HOWEVER, THIS IS ONLY PARTIALLY ACCURATE. MAINTENANCE IS BEING PERFORMED NOW BECAUSE OF THE SHORTAGE OF CRUDE SUPPLY, AND GASOLINE IMPORTS WILL ALSO PROBABLY BE NECESSARY IN DECEMBER AS WELL AS ON A STEADY BASIS DURING 1975 AND 1976. SOME INDUSTRY SOURCES NOW ESTIMATE THAT WITH CRUDE SUPPLY DROPPING EVEN MORE RAPIDLY THAN EXPECTED (CURRENTLY BELOW 160,000 BARRELS PER DAY), CRUDE IMPORTS MAY BE NECESSARY BY JANUARY. AT THE BEGINNING OF 1974, PROJECTIONS WERE FOR CRUDE IMPORTS BEGINNING IN 1976 BUT THIS WAS STEADILY REVISED BACKWARD TO MARCH-APRIL 1975 AT THE LATEST. IT NOW APPEARS THAT COLOMBIA COULD FACE AN OUTLAY OF UP TO 30 MILLION DOLLARS IN CRUDE AND GASOLINE IMPORTS DURING 1975. THIS AMOUNT WOULD STEADILY INCREASE AT LEAST THROUGH 1977.

3. AS NOTED IN PREVIOUS MESSAGES, THE GOC POSTPONED REVISION OF PETROLEUM PRICES ON THE GROUNDS THAT IMMEDIATE INCREASES COMBINED WITH OTHER ECONOMIC REFORMS WOULD HAVE TOO STRONG A NEGATIVE IMPACT ON THE ECONOMY. IMPORTS, HOWEVER, WILL CREATE AN ADDITIONAL DRAIN ON GOVERNMENT RESOURCES IN FORM OF SUBSIDY BY ECOPETROL. PRESENT GASOLINE IMPORTS WERE OBTAINED FROM US BROKER AT FAVORABLE PRICE OF US 30 CENTS PER GALLON AS RESULT OF LARGE US STOCKS. ECOPETROL ASSUMES DIFFERENCE BETWEEN THIS AND PRICE TO DISTRIBUTOR OF ABOUT 10 CENTS PER GALLON. OTHER OFFICIAL SUBSIDIES IN FORM OF PETROLEUM EXCHANGE RATE AND DIRECT PAYMENTS TO BUS COMPANIES AND SERVICE STATIONS WILL BE ABOUT US 70 MILLION DOLLARS FOR 1975 IF RATES NOT ALTERED.

4. PRESSURES FOR ACTION ON ENTIRE PRICE STRUCTURE ARE INCREASING AS SERVICE STATIONS ATTEMPT TO FORCE INCREASE IN EITHER PRICE OR SUBSIDY BY CLOSING NIGHTS AND WEEKENDS. BUS COMPANIES ARE NOT CONTENT WITH RECENT FARE INCREASES, EVEN THOUGH THESE HAVE BEEN MET BY PROTEST AND SOME DISORDER. ECOPETROL IS EXPECTED TO ANNOUNCE SHORTLY BONUS OF ONE DOLLAR PER BARREL FOR EXTRA IN-FIELD PRODUCTION WHICH WILL CAUSE FURTHER DRAIN ON ITS RESOURCES. LIMITED OFFICIAL USE

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5. NEW EXPLORATION REMAINS AT MINIMAL LEVELS PENDING REDEFINITION OF PRICE POLICIES. A PRESS REPORT OF A LARGE DISCOVERY IN THE STATE OF TOLIMA WAS COMPLETELY UNFOUNDED. AT LEAST THREE NON-PRODUCER COMPANIES HAVE ANNOUNCED THAT THEY ARE TERMINATING ALL OPERATIONS IN COLOMBIA. SHORT TERM PROSPECTS ARE THUS FOR WORSENING OF LONG-STANDING DILEMMA FACED BY GOC BETWEEN ECONOMIC PROBLEMS ASSOCIATED WITH LOW PRICES AND POLITICAL-ECONOMIC

PROBLEMS ASSOCIATED WITH RAISING THEM.

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